

**Missouri Housing Trust Fund**  
Accountants' Reports and Financial Statements  
June 30, 2011 and 2010



# **Missouri Housing Trust Fund**

## **June 30, 2011 and 2010**

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## Independent Accountants' Report

The Commissioners of the Missouri Housing Development Commission  
Missouri Housing Trust Fund  
Kansas City, Missouri

We have audited the accompanying balance sheets of the Missouri Housing Trust Fund as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Missouri Housing Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in *Note 1*, the financial statements present only the Missouri Housing Trust Fund. These statements do not purport to, and do not present the financial position of the Missouri Housing Development Commission as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Housing Trust Fund as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*BKD, LLP*

September 16, 2011

# **Missouri Housing Trust Fund**

## **Management's Discussion and Analysis**

### **Years Ended June 30, 2011 and 2010**

Our discussion and analysis of Missouri Housing Trust Fund's (the "Trust Fund") financial performance provides an overview of the Trust Fund's financial activities for the fiscal years ended June 30, 2011 and 2010. Please read it in conjunction with the Trust Fund's financial statements and accompanying notes.

#### ***Introduction – Missouri Housing Trust Fund***

The Missouri Housing Trust Fund was created by the Missouri State Legislature in 1994 to help meet the housing needs of very low income Missourians. The Missouri Housing Development Commission administers the Trust Fund, which provides for a variety of housing needs, such as emergency home repair, emergency rent, mortgage or utility payments, acquisition, rehabilitation or new construction of transitional housing and related services for very low income families and individuals.

#### ***Overview of the Financial Statements***

This annual financial report consists of Management's Discussion and Analysis and the financial statements, including notes to the financial statements. The Trust Fund maintains its financial records on the accrual basis of accounting.

#### ***2011 Financial Highlights***

- Total assets were \$5.5 million at June 30, 2011, a decline of 7.9% from 2010.
- Net assets decreased 4.6% as of June 30, 2011.
- Recording fee revenue decreased 6.7% to \$3.4 million in fiscal year 2011. This decrease in fee revenue resulted from decreased real estate related document filings.
- Grants totaled \$3.6 million in 2011, a decrease of 11.0% from 2010.

#### ***2010 Financial Highlights***

- Total assets were \$5.9 million at June 30, 2010, a decline of 3.2% from 2009.
- Net assets decreased 7.3% as of June 30, 2010.
- Recording fee revenue decreased 12.6% to \$3.7 million in fiscal year 2010. This decrease in fee revenue resulted from decreased real estate related document filings.
- Grants totaled \$4.1 million in 2010, a decrease of 9.3% from 2009.

# Missouri Housing Trust Fund

## Management's Discussion and Analysis

### Years Ended June 30, 2011 and 2010

#### **Financial Position**

The following table summarizes the Trust Fund's assets, liabilities and net assets as of June 30, 2011, June 30, 2010, and June 30, 2009.

#### **Condensed Financial Information** **Assets, Liabilities and Net Assets (In Thousands)**

|                              | June 30, |          |          | \$ Change    |              |
|------------------------------|----------|----------|----------|--------------|--------------|
|                              | 2011     | 2010     | 2009     | 2011 vs 2010 | 2010 vs 2009 |
| <b>Current Assets</b>        |          |          |          |              |              |
| Investments                  | \$ 4,417 | \$ 4,436 | \$ 5,378 | \$ (19)      | \$ (942)     |
| Other                        | 1,057    | 802      | 533      | 255          | 269          |
| Total current assets         | 5,474    | 5,238    | 5,911    | 236          | (673)        |
| <b>Noncurrent Assets</b>     | -        | 706      | 229      | (706)        | 477          |
| Total assets                 | 5,474    | 5,944    | 6,140    | (470)        | (196)        |
| <b>Current Liabilities</b>   | 131      | 346      | 99       | (215)        | 247          |
| <b>Restricted Net Assets</b> | \$ 5,343 | \$ 5,598 | \$ 6,041 | \$ (255)     | \$ (443)     |

#### **Investments**

Investments consist of U.S. government agency fixed rate securities. The Trust Fund's investment policy emphasizes preservation of principal. At June 30, 2011, the Trust Fund had \$4.42 million in investments compared to \$5.14 million at June 30, 2010, and \$5.38 million at June 30, 2009.

#### **Net Assets**

The Trust Fund's net assets are restricted to use as authorized by Section 215.034-215.038, RSMo, the Trust Fund enabling legislation.

# Missouri Housing Trust Fund

## Management's Discussion and Analysis

### Years Ended June 30, 2011 and 2010

#### ***Operating Activities***

The following table summarizes the Trust Fund's revenues, expenses and changes in net assets for fiscal years 2011, 2010 and 2009.

#### **Condensed Financial Information Revenues, Expenses and Changes in Net Assets (In Thousands)**

|                             | 2011            | 2010            | 2009            | <b>\$ Change</b>    |                     |
|-----------------------------|-----------------|-----------------|-----------------|---------------------|---------------------|
|                             |                 |                 |                 | <b>2011 vs 2010</b> | <b>2010 vs 2009</b> |
| <b>Revenues</b>             |                 |                 |                 |                     |                     |
| Recording fees              | \$ 3,411        | \$ 3,654        | \$ 4,183        | \$ (243)            | \$ (529)            |
| Interest income             | 38              | 61              | 233             | (23)                | (172)               |
| Total revenues              | 3,449           | 3,715           | 4,416           | (266)               | (701)               |
| <b>Expenses</b>             |                 |                 |                 |                     |                     |
| Grants                      | 3,636           | 4,085           | 4,506           | (449)               | (421)               |
| Administrative expenses     | 68              | 73              | 84              | (5)                 | (11)                |
| Total expenses              | 3,704           | 4,158           | 4,590           | (454)               | (432)               |
| <b>Change in Net Assets</b> | <u>\$ (255)</u> | <u>\$ (443)</u> | <u>\$ (174)</u> | <u>\$ 188</u>       | <u>\$ (269)</u>     |

During fiscal year 2011, there was a decrease of 6.7% in recording fee revenue as compared to 2010. For fiscal year 2010, there was a decrease of 12.6% in recording fee revenue as compared to 2009. These fees are generated by a \$3 recording fee collected by the Missouri county recorders for each real estate related document filing. The decreases in the fee revenue in fiscal years 2011 and 2010 are a result of decreased real estate related document filings.

#### ***Contacting Trust Fund's Financial Management***

This financial report is designed to provide stakeholders in the Trust Fund with a general overview of the Trust Fund's finances and to demonstrate accountability of resources. If you have questions about this report or need additional financial information, contact the Director of Finance at the Missouri Housing Development Commission, 3435 Broadway, Kansas City, Missouri 64111 or visit our website at [www.mhdc.com](http://www.mhdc.com).

# Missouri Housing Trust Fund

## Balance Sheets

June 30, 2011 and 2010

(In Thousands)

### Assets

|                             | 2011            | 2010            |
|-----------------------------|-----------------|-----------------|
| <b>Current Assets</b>       |                 |                 |
| Cash                        | \$ 1,040        | \$ 766          |
| Investments                 | 4,417           | 4,436           |
| Accrued interest receivable | 17              | 36              |
|                             | <u>5,474</u>    | <u>5,238</u>    |
| Total current assets        | 5,474           | 5,238           |
| <b>Noncurrent Assets</b>    |                 |                 |
| Investments                 | -               | 706             |
|                             | <u>-</u>        | <u>706</u>      |
| Total assets                | <u>\$ 5,474</u> | <u>\$ 5,944</u> |

### Liabilities and Net Assets

|                                  |                 |                 |
|----------------------------------|-----------------|-----------------|
| <b>Current Liabilities</b>       |                 |                 |
| Accounts payable                 | \$ 131          | \$ 346          |
| <b>Net Assets</b>                |                 |                 |
| Restricted                       | 5,343           | 5,598           |
|                                  | <u>5,343</u>    | <u>5,598</u>    |
| Total liabilities and net assets | <u>\$ 5,474</u> | <u>\$ 5,944</u> |

**Missouri Housing Trust Fund**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2011 and 2010**  
**(In Thousands)**

|                                      | <b>2011</b>            | <b>2010</b>            |
|--------------------------------------|------------------------|------------------------|
| <b>Operating Revenues</b>            |                        |                        |
| Recording fees                       | \$ 3,411               | \$ 3,654               |
| Interest income                      | <u>38</u>              | <u>61</u>              |
| Total operating revenues             | <u>3,449</u>           | <u>3,715</u>           |
| <b>Operating Expenses</b>            |                        |                        |
| Trust Fund grants                    | 3,636                  | 4,085                  |
| Administrative expenses              | <u>68</u>              | <u>73</u>              |
| Total operating expenses             | <u>3,704</u>           | <u>4,158</u>           |
| <b>Decrease in Net Assets</b>        | (255)                  | (443)                  |
| <b>Net Assets, Beginning of Year</b> | <u>5,598</u>           | <u>6,041</u>           |
| <b>Net Assets, End of Year</b>       | <u><u>\$ 5,343</u></u> | <u><u>\$ 5,598</u></u> |



**Missouri Housing Trust Fund**  
**Statements of Cash Flows**  
**Years Ended June 30, 2011 and 2010**  
**(In Thousands)**

|  | <u>2011</u>            | <u>2010</u>          |
|--|------------------------|----------------------|
| <b>Cash Flows From Operating Activities</b>  |                        |                      |
| Principal repayments on mortgage loans   | \$ -                   | \$ 254               |
| Recording fee revenue  | 3,411                  | 3,654                |
| Payments for grants and other items  | <u>(3,919)</u>         | <u>(3,911)</u>       |
| Net cash used in operating activities  | <u>(508)</u>           | <u>(3)</u>           |
| <b>Cash Flows From Investing Activities</b>  |                        |                      |
| Proceeds from sale of investments  | 4,950                  | 6,746                |
| Purchase of investments  | (4,290)                | (6,617)              |
| Income received on investments   | <u>122</u>             | <u>179</u>           |
| Net cash provided by investing activities  | <u>782</u>             | <u>308</u>           |
| <b>Increase in Cash</b>  | 274                    | 305                  |
| <b>Cash, Beginning of Year</b>   | <u>766</u>             | <u>461</u>           |
| <b>Cash, End of Year</b>   | <u><u>\$ 1,040</u></u> | <u><u>\$ 766</u></u> |
| <b>Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities</b> |                        |                      |
| Change in net assets   | \$ (255)               | \$ (443)             |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities |                        |                      |
| Income – investments   | (103)                  | (168)                |
| Repayment of principal on mortgage loans   | -                      | 254                  |
| Change in fair value of investments  | 65                     | 107                  |
| Change in assets and liabilities   |                        |                      |
| Increase (decrease) in accounts payable  | <u>(215)</u>           | <u>247</u>           |
| Net cash used in operating activities  | <u><u>\$ (508)</u></u> | <u><u>\$ (3)</u></u> |

# **Missouri Housing Trust Fund**

## **Notes to Financial Statements**

**June 30, 2011 and 2010**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

The Missouri Housing Trust Fund (the “Trust Fund”) is authorized by Section 215.034, RSMo to financially assist, by loans or grants, the development of housing stock and to provide housing assistance to persons and families with income at or below specified levels. The Trust Fund is administered by and reported as a fund of the Missouri Housing Development Commission (the “Commission”), which is the housing finance agency for the state of Missouri.

The following is a summary of the more significant accounting policies of the Trust Fund.

#### ***Basis of Accounting***

The Trust Fund maintains its financial records on the accrual basis of accounting.

The Trust Fund’s financial statements have been prepared on the basis of the Governmental Proprietary Fund concept as set forth in Statement 34 of the Governmental Accounting Standards Board (GASB). The Governmental Proprietary Fund concept is utilized when financial activities are operated similarly to private business enterprises and financed through fees and charges.

The Trust Fund has elected not to apply the pronouncements of the Financial Accounting Standards Board issued after November 30, 1989, as prescribed by GASB Statement No. 20.

#### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### ***Classification of Revenues***

Revenues and expenses are typically divided into operating and nonoperating items. Operating revenues generally result from providing services in connection with the Trust Fund’s principal ongoing operations. The principal operating revenues of the Trust Fund are derived from recording fees and investment income from loans and investments. Operating expenses consist primarily of grants. All revenues and expenses not meeting these definitions would be reported as nonoperating revenues and expenses. The Trust Fund has no nonoperating activities.

### **Note 2: Investments**

Investments may include nonnegotiable certificates of deposit reported at cost and U.S. government agency securities reported at fair value as determined by the investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services on the valuation date.

# Missouri Housing Trust Fund

## Notes to Financial Statements

June 30, 2011 and 2010

### ***Investment Policy***

The Commission administers the Trust Fund in accordance with Chapter 215 of the Missouri State Statutes. Section 215.034 RSMo directs the State Treasurer to allocate all moneys in the Missouri Housing Trust Fund to the Commission for disbursement and investment as directed by the Statute. Chapter 215 permits the Commission to invest any funds not required for immediate disbursement in obligations of the state of Missouri or of the United States government or any instrumentality thereof, or bank certificates of deposit. At June 30, 2011 and 2010, all of the Trust Fund's investments were in compliance with the state statute.

### ***Investment Types and Maturities***

At June 30, 2011, the Trust Fund's investments include U.S. government agency securities totaling \$4,417,000, all of which mature in less than one year. At June 30, 2010, the Trust Fund's investments included \$5,142,000 in U.S. government agency securities, of which \$4,436,000 had maturities of less than one year.

At June 30, 2011, as reported at fair value the Trust Fund's U.S. government agencies securities consist of \$504,000 Fannie Mae, \$3,512,000 Federal Home Loan Bank (FHLB) and \$401,000 U.S. Treasury debt securities. At June 30, 2010, as reported at fair value the Trust Fund's U.S. government agencies securities consist of \$450,000 Fannie Mae, \$2,367,000 Federal Home Loan Bank (FHLB), \$407,000 Federal Farm Credit Bank (FFCB), \$1,515,000 Federal Home Loan Mortgage Corporation (FHLMC) and \$403,000 U.S. Treasury debt securities.

### ***Credit Risk***

The following table (in thousands of dollars) provides information on the credit ratings associated with the Trust Fund's investments in debt securities at June 30, 2011 and 2010:

| Year | Investment Type          | S&P  | Moody's | Fair Value |
|------|--------------------------|------|---------|------------|
| 2011 | U.S. government agencies | AAA* | Aaa     | \$ 4,417   |
| 2010 | U.S. government agencies | AAA  | Aaa     | \$ 5,142   |

\*Subsequent to June 30, 2011 the S&P ratings of the U.S. government agencies were lowered to AA+.

### ***Concentration of Credit Risk***

State statute places no limit on the amount the Trust Fund may invest in any one permitted issuer. The following table lists investments in issuers that represent 5% or more of total U.S. government agency investments at June 30, 2011 and 2010:

# Missouri Housing Trust Fund

## Notes to Financial Statements

June 30, 2011 and 2010

| Issuer                                 | Percent of Total Investments |      |
|--|------------------------------|------|
|  | 2011                         | 2010 |
| Federal Home Loan Bank                 | 80%                          | 46%  |
| Fannie Mae                             | 11%                          | 9%   |
| U.S. Treasury                          | 9%                           | 8%   |
| Federal Farm Credit Bank               | 0%                           | 8%   |
| Federal Home Loan Mortgage Corporation | 0%                           | 29%  |

### ***Custodial Credit Risk***

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Protection of the Trust Fund's deposits, including its investment in nonnegotiable certificates of deposits, is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution or by irrevocable standby letters of credit issued by the Federal Home Loan Bank of Des Moines. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. In accordance with its policy, the Trust Fund addresses custodial credit risk by pre-qualifying institutions with which the Trust Fund places investments, diversifying its investments portfolio and maintaining a standard of quality for its investments.

Investments in U.S. government agency securities are carried at fair value. At June 30, 2011 and 2010, securities approximating \$4,417,000 and \$5,142,000, respectively, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Trust Fund's name.

### **Note 3: Revenue from the State of Missouri**

In accordance with Section 215.034, RSMo, the state of Missouri distributes to the Trust Fund a \$3 recording fee collected by the Missouri county recorders for each real estate related document filing.

### **Note 4: Administrative Expenses**

The Trust Fund reimburses the Commission for administrative costs not to exceed 2% of Trust Fund revenues.

**Missouri Housing Trust Fund**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**Note 5: Commitments**

At June 30, 2011 and 2010, the Trust Fund has outstanding program commitments of approximately \$5,114,000 and \$4,555,000, respectively. These commitments represent Trust Fund grants that were approved prior to year end for which disbursements will be made in the subsequent fiscal years.